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INTRODUCTION

The Office of Internal Audit performed an audit of Lapeer County FIA for the period January 1, 2003 through February 10, 2004. The objectives of our audit were to determine if internal controls in place in the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. The Lapeer County FIA had 36 full time equated positions (FTE's) at the time of our review. Lapeer County FIA provided assistance to an average 3,449 customers per month during FY 2002, with total assistance payments of \$4,094,459 during that year.

SCOPE

Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Lapeer County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Cash Receipts	CIMS/ASSIST Security
Cash Disbursements	Payroll and Timekeeping
State Emergency Relief	Procurement Cards
Safe and Controlled Documents	Direct Supportive Services
General Ledger	Balance Sheet
CIS/ASSIST/LASR Controls	Customer Processing
Children's Protective Services	

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Lapeer County FIA's internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We found instances of noncompliance with FIA policies and procedures and weaknesses in internal controls in other areas, which are detailed below.

LOCAL OFFICE RESPONSE

The management of Lapeer County FIA has reviewed all findings and recommendations included in this report. They indicated in an e-mail dated March 17, 2004 they are in general agreement with the findings and have taken corrective action.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

FIA-61 Log Reconciliation

1. Lapeer County FIA did not perform a weekly reconciliation of checks/warrants on hand to the open items on the Record and Disposition of Checks/Warrants (FIA-61), as required by Accounting Manual Item 460. A weekly reconciliation is necessary for timely detection of any warrants/checks that are lost or stolen, and to ensure that all checks/warrants on hand are properly recorded on the FIA-61. We found three (3) open items on the FIA-61, where checks/warrants were not on hand.

WE RECOMMEND that Lapeer County FIA perform a weekly reconciliation of checks/warrants on hand to the FIA-61, and keep posting of disposition information on the FIA-61 up-to-date.

CIMS/ASSIST/LASR Security

CIMS/ASSIST Security Agreements

2. The Lapeer County FIA did not have accurate, up-to-date CIMS Security Agreements (FIA-3974A) on file for 3 out of 29 employees who access the Client Information Management System (CIMS) as required by L-Letter 97-063.

WE RECOMMEND that the Lapeer County FIA ensure that all employees who have access to CIMS have an accurate, up-to-date Security Agreement on file.

Security Officers Log Report (PD-180), (VB9-173), (LR-853)

3. Lapeer County FIA did not reconcile the CIMS Security Officer's Log Report (PD-180) to the Security Agreements (FIA-3974A's), or the ASSIST Security Officer's Log Report (VB9-173) to the ASSIST Enrollment Profile (FIA-3720's), or the LASR Security Officers Log Report (LR-853) to the LASR Security Access Requests (LR-84) as recommended by the Primary Internal Control Criteria for Local/District Office Operations. Reconciliation of these reports ensures that all changes made are accurate and approved by supervision.

WE RECOMMEND that Lapeer County FIA reconcile the PD-180, VB9-173, and LR-853 reports to revised Security Agreements, Enrollment Profiles, and LASR Security Access Requests.

VB9-554 Report

4. Lapeer County FIA did not reconcile the ASSIST User Report (VB9-554) to the ASSIST Enrollment Profiles (FIA-3720) and Security Agreements (FIA-3721), as required by L-Letter L-97-156. This reconciliation is necessary to ensure that all employees who have access to ASSIST are properly authorized for their assigned job

types. We found ten employees did not have job types listed on the Enrollment Profile that were reflected on the VB9-554 report. Four employees had job types on the Enrollment Profile that were not listed on the VB9-554.

WE RECOMMEND that Lapeer County FIA reconcile the VB9-554 report to the ASSIST Enrollment Profiles and Security Agreements.

Improper CIMS Status for Fiscal Staff

5. Lapeer County FIA had assigned Client Information Management System (CIMS) status levels that were inconsistent with staff job responsibility. The fiscal clerk had been assigned “CRS” status on CIMS. Assigning fiscal staff CRS status would allow them to open and change cases and process payments to those same cases. Primary Internal Control Criteria for Local/District Office Operations states the fiscal staff must not be allowed the ability to access case registration or eligibility functions. The fiscal staff should be assigned only inquiry status on CIMS and should not have file maintenance capability on CIMS, or registration capability in ASSIST.

WE RECOMMEND Lapeer County FIA change the fiscal staff to INQ status only.

ASSIST Job Types

6. Lapeer County FIA had one FIM (Family Independence Manager) had registration and file maintenance capabilities on ASSIST. This combination of Job Types allows the FIM to register a case, and do file maintenance on that case. Internal Control Criteria page 13 states that no one person should have 240/270/280 and 360 or 370 job types. Assigning staff ASSIST job types that allow them to register and open cases on ASSIST does not allow for the proper separation of duties.

WE RECOMMEND that Lapeer County FIA change the FIM's Job Type that do not allow them to register and perform film maintenance on ASSIST or have an independent person reconcile the FIM's transactions on the MA-010 report.

Safe and Controlled Documents

Items Not Controlled

7. Lapeer County FIA did not properly control the Blank Checks, EBT cards, Purchase Orders or gift cards that were on hand. The Blank Checks, EBT cards and Purchase Orders did not have an up to date Controlled Document Log (FIA-4070), and the gift cards were not inventoried at all. Also, Lapeer County FIA had not prepared the Monthly Controlled Document Inventory and Reconciliation (FIA-4351) for the gift cards. Accounting Manual Item 403 states that all controlled items must have a completed Controlled Document Log (FIA-4070) prepared on an ongoing basis and maintain accurate and up to date logs. Maintaining an accurate inventory of gift certificates helps to ensure that all gift cards are properly accounted for.

WE RECOMMEND that Lapeer County FIA inventory all controlled items and keep an up to date Controlled Document Log and Monthly Controlled Document Inventory and Reconciliation.

Obsolete Purchase Orders

8. Lapeer County FIA had obsolete Purchase Order/Invoices (FIA-2083) on hand. Accounting Manual Item 403 gives instructions for the destruction of obsolete forms. Keeping obsolete forms on hand and not controlling them increases the risk of these forms being used inappropriately.

WE RECOMMEND that Lapeer County FIA destroy the obsolete Purchase Order/Invoices (FIA-2083) in accordance with the instructions in Accounting Manual Item 403.

Items Kept in the Safe

9. Lapeer County FIA had a deed from a Cemetery, a cash box with funds unaccounted for and the Brighter Days donations money that has not been deposited since September 2003.

WE RECOMMEND that Lapeer County FIA notified workers of the Cemetery deed that was a donation and could be used as needed and that all money kept in the safe be accounted for or disposed of.

Direct Supportive Services

Documentation for Vehicle Purchase and Repair

10. In 3 out of 10 cases where Lapeer County FIA purchased or repaired a vehicle the Direct Supportive Services packet did not contain evidence that the customer had a valid driver's license, as required by PEM Item 232, page 11.

WE RECOMMEND Lapeer County FIA document that the customer has a valid driver's license when authorizing vehicle purchases and repairs.

Payroll and Timekeeping

Reconciliation of the HR-332A Turnaround Report

11. Lapeer County FIA had the timekeeper reconcile the turnaround HR-332A report to the original HR-332A report a week after the time was submitted. The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper reconcile the turnaround HR-332 A report to attest to the accuracy of the payroll.

WE RECOMMEND that Lapeer County FIA have someone other than the timekeeper reconcile the original HR-332A report to the turnaround HR-332A report to verify the accuracy of the payroll.

Corrective Action Taken while the auditor was on site

State Emergency Relief

Supporting Documentation for Payments

12. Lapeer County FIA did not follow the established procedures for State Emergency Relief (SER) payments submitted to the Fiscal Office for reconciliation with the FIA-849, 93(A) Issuance Report (ES-440). One payment out of 87 reviewed was supported with a copy of the bill instead of the original, and one payment was made for more than the bill amount. Accounting Manual Item 404 requires that the original vendor invoice/bill be attached to the Accounting Office copy, and that only the amount due on the bill be paid via the FIA-849. Attaching the original invoice/bill for the amount to be paid to the Fiscal Office copy of the FIA-849 helps prevent duplicate payments proper bill payment is essential.

WE RECOMMEND Lapeer County FIA attach the original invoice/bill to the Fiscal Office copy of the Authorization Invoice (FIA-849) that is used for reconciliation purposes and pay only the amount due on the bill.

Procurement Cards

Verification of Goods Received

13. Lapeer County FIA did not have a signature to verify purchased good received for 4 out of the 20 items purchased in our review period. The Procurement Card Program Manual requires that an independent person verify that good are received in the office and must sign on the Transaction Detail Report to that effect. Having a independent party verify good are received will reduce the risk of goods being inappropriately used.

WE RECOMMEND that Lapeer County FIA require a signature of an independent employee to verify receipt of goods.